

### Comparison of OTS and FDIC Annual External Audit Requirements

	<u>OTS 12 CFR 562.4</u>	<u>FDIC 12 CFR Part 363</u>
<b>Scope</b>	<p>The OTS requires an external audit for safety and soundness purposes if a savings association has received a composite rating of 3, 4, or 5 under UFIRS. [12 CFR 562.4(a) and (b)(1)]</p> <p>The Director may waive the external audit requirement for a saving association if the Director determines that an audit would not provide further information on safety and soundness issues relevant to examination rating. [12 CFR 562.4(c)(2)]</p> <p>The OTS requires an external audit for a savings and loan holding company that controls savings association subsidiary(ies) with aggregate consolidated assets of \$500 million or more. [12 CFR 562.4(b)(2)]</p> <p>A savings association holding company may request a modification or waiver of the external audit requirement. [Handbook - Section 350; paragraph heading 'OTS Required Audit: Audit of Savings Association Holding Companies with \$500 Million or More of Total Assets; Modification or Waiver']</p> <p>The audited consolidated financial statement of the savings association holding company will be accepted in lieu of separate audited financial statements of the savings association. [Handbook - Section 350; paragraph heading 'OTS Required Audit: Audit of Savings Associations that Receive a Composite CAMELS Rating of 3, 4, or 5; Required Reports']</p>	<p>Insured depository institutions, including savings associations, with total assets of \$500 million or more at the beginning of each fiscal year after December 31, 1992. [12 CFR 363.1(a)]</p> <p>The audited financial statements (AFS) requirement may be satisfied by audited financial statements of the consolidated holding company. All other requirements of Part 363 may be satisfied at the holding company level if certain conditions are met. [12 CFR 363.1(b)]</p>

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<b>Auditing Standard</b>	Generally accepted auditing standards (GAAS).	GAAS and the standards of section 37 of the Federal Deposit Insurance Act (FDIA). [12 CFR 363.3(a)]
<b>Qualifications for Auditors</b>	<p>Certified public accountant (CPA) who is independent by AICPA and SEC standards and is enrolled in an FDIC-approved peer review program. CPA agrees in the engagement letter to provide OTS with access to and copies of any work paper, policies, and procedures relating to the services performed. [12 CFR 562.4(d)(1), (2), (3), and (4)]</p> <p>For voluntary audits the CPA does not have to be enrolled in a peer review program. [12 CFR 562.4(e)]</p>	<p>CPA who is independent by AICPA and SEC approved peer review program. [12 CFR 363 Appendix (13), (14), and (15)]</p>
<b>Filing and Notice Requirements</b> <b>a) Savings Association</b>	<p>A savings association that is required to obtain an external audit for safety and soundness reasons should submit two copies to the Regional Director of the following: the audited financial statements, any reports from the CPA that make reference to the external audit, and other OTS requested supplemental information, or schedules. The required reports shall be forwarded to the Regional Director within 90 days of the fiscal year-end or within 15 days of receipt, whichever is earlier.</p>	<p>When an audit is required the FDIC requires the following reports:</p> <ul style="list-style-type: none"> <li>• AFS prepared in accordance with generally accepted accounting principles (GAAP).</li> <li>• Audit Opinion on AFS.</li> <li>• Management Report: <ul style="list-style-type: none"> <li>— Statement of responsibility</li> <li>— Assessment of effectiveness of the internal control structure over financial reporting, and</li> <li>— Assessment of compliance with designated safety and soundness laws and regulations.</li> </ul> </li> <li>• Accountant's attestation report on management's assessment of effectiveness of internal control structure.</li> <li>• Any management letter, qualification, or other report(s) issued by the accountant relating to services provided pursuant to 12 CFR Part 363.</li> </ul>

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<p><b>Filing and Notice Requirements</b>  <b>a) Savings Association</b>  <i>(continued)</i></p>	<p>When a savings association has assets of \$500 million or more, it will instead file with the FDIC and OTS the reports required pursuant to FDIC Regulation Part 363 and FDIC guidelines at Appendix A to Part 363. [Handbook - Section 350; paragraph heading 'External Audits']</p> <p>A savings association holding company should comply with the reporting requirements at item 21, "Financial Statements" in the H-(b)21 Annual Report. [Handbook - Section 350; paragraph heading 'Savings Association Holding Companies with \$500 Million or More of Total Assets']</p> <p>Institutions that obtain voluntary audits are not required to file any reports or notices with the OTS.</p>	
<p><b>Audit Waivers</b></p>	<p>The savings association may make a written request for a waiver from the OTS safety and soundness audit requirement. OTS will waive the audit requirement if it determines that an audit is not the most effective means to address safety and soundness concerns that caused the composite CAMELS rating of 3, 4, or 5. [Handbook - Section 350; paragraph heading 'Written Request for Waiver of External Audit Agreement']</p> <p>A savings association holding company may request a modification or waiver of the external audit requirement. [Handbook - Section 350; paragraph heading 'Savings Association Holding Companies with \$500 Million or More of Total Assets; Safety and Soundness Considerations for Granting Waiver Requests']</p>	<p>No similar provision.</p>

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<b>Filing and Notice Requirements</b> <b>b) Auditors</b>	No requirement to provided notice of change in auditors (the FDIC has a notice requirement for institutions with \$500 million or more in assets).	Notice of engagement or change of accountant. [12 CFR 363.4]
	Make the peer review report available to examiner during examination, do not forward to OTS. [Handbook - Section 350; paragraph heading 'Auditor Requirements For Required Audit or Required Agreed-Upon Procedures']	Notice of termination of accountant. Peer Review Report. [12 CFR 363.3(c) and Statute]
<b>Audit Committee Requirements</b>	None	Must consist of members of the board who are independent of management <sup>1</sup> .  [12 CFR 363 Appendix (28) and (29)]  Institutions with assets of \$3 billion or more must have access to outside counsel and include members with banking and financial management expertise who are not large customers of the institution.
<b>Documentation and Other Considerations for Audit Work Papers</b>	The CPA agrees in the engagement letter (do not forward engagement letter to OTS) to provide OTS with access to and copies of any work papers, policies, and procedures relating to services performed. [12 CFR 562.4(d)(2)]	Copies of any work papers, policies, and procedures relating to services performed under 12 CFR 363 must be provided upon request. [12 CFR 363 Appendix (13)]  Peer review work papers must be retained for 120 days after peer review report is filed with FDIC. [12 CFR 363 Appendix (15(c))]

<sup>1</sup> Members of the holding company's audit committee may serve as the audit committee of any subsidiary institution if they are otherwise independent of management of the subsidiary.  
[12 CFR 363 Appendix (31)]